

Message Text

UNCLASSIFIED

PAGE 01 PORT O 01718 110451Z

14/60

ACTION EB-07

INFO OCT-01 ARA-10 ISO-00 AID-05 CIAE-00 COME-00 FRB-01

INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06 SP-02

CIEP-02 LAB-04 SIL-01 OMB-01 STR-04 PA-02 PRS-01 /073 W

----- 009409

R 101608Z JUL 75

FM AMEMBASSY PORT OF SPAIN

TO SECSTATE WASHDC 8030

INFO AMEMBASSY BRIDGETOWN

AMEMBASSY GEORGETOWN

AMEMBASSY KINGSTON

UNCLAS PORT OF SPAIN 1718

C O R R E C T E D C O P Y (PARA 2 LINE 7)

E.O. 11652: N/A

TAGS: EFIN, TD

SUBJ: BUSINESSMEN PRESSURE GOTT TO TIE T&T DOLLAR TO

U.S. DOLLAR

REF: A) BRIDGETOWN 884; B) GEORGETOWN 858

1. LOCAL BUSINESSMEN HAVE MOUNTED A CAMPAING TO ENCOURAGE GOTT TO BREAK THE TRINIDAD DOLLAR'S LINK TO STERLING AND TIE IT INSTEAD TO THE U.S. DOLLAR. THEIR CAMPAIGN IS GAINING MOMENTUM DUE TO BARBADOS' RECENT ACTION PEGGING ITS CURRENCY TO THE U.S. DOLLAR, AND WAS FURTHER STRENGTHENED BY RECENT PRESS REPORTS THAT THE BARBADOS RATE HAS BEEN SET AT BDS 2.00 EQUALS U.S. 1.00. THE RECENT EROSION OF STERLING ON INTERNATIONAL EXCHANGE MARKETS HAS MEANT AN EFFECTIVE DEVALUATION VIS-A-VIS ALL NON-STERLING-LINKED CURRENCIES OF 10 PERCENT FOR THE TRINIDAD DOLLAR, SINCE THE U.S. DOLLAR IS NOW SELLING AT TT\$2.20 (COMPARED WITH THE HISTORICAL RATE OF 2.00 WHEN STERLING WAS AT 2.40).

2. THE BUSINESSMEN CLAIM THAT THIS EFFEKTIVE DEVALUATION

UNCLASSIFIED

UNCLASSIFIED

PAGE 02 PORT O 01718 110451Z

IS DRIVING UP PRICES IN TRINIDAD, INASMUCH AS THE VAST

MAJORITY OF TRINIDAD'S IMPORTS COME FROM NON-STERLING COUNTRIES WHERE CURRENCY VALUES HAVE BEEN RELATIVELY STABLE, AND ONLY ONE-FIFTH OF IMPORTS COME FROM UNITED KINGDOM. (IMPORTERS ARE DOUBTLESS NOW FEELING THE PINCH OF SETTling ACCOUNTS AT 2.20 FOR GOODS WHICH THEY ALREADY HAVE SOLD AT LOWER PRICES BASED UPON THE MORE FAVORABLE EXCHANGE RATES IN EARLIER MONTHS THIS YEAR.) THE EFFECTIVE DEVALUATION OF THE T&T DOLLAR HAS NOT EVEN BENEFITTED EXPORTERS, SINCE MOST NON-TRADITIONAL EXPORTS HAVE A HIGH IMPORT CONTENT AND THE TRADITIONAL EXPORTS (SUCH AS OIL AND SUGAR) ARE USUALLY PRICED IN U.S. DOLLARS OR STERLING.

3. THUS FAR ALL OF THE GOTT OFFICIALS (MINISTER OF FINANCE CHAMBERS, MINFIN PERMANENT SECRETARY RAMPERSAD, AND CENTRAL BANK GOVERNOR BRUCE) CONSULTED BY THE BUSINESSMEN HAVE REFUSED TO MAKE ANY PUBLIC COMMENTS, BUT THERE IS WIDESPREAD SPECULATION THAT THEY MAY INDEED BE CONSIDERING A CHANGE IN THE LINK WITH STERLING.

4. COMMENT: TIEING THE T&T DOLLAR WITH THE U.S. DOLLAR HAD BEEN CONSIDERED BUT REJECTED AT THE TIME OF BOTH U.S. DEVALUATIONS. GIVEN THE MARKED IMPROVEMENT SINCE THAT TIME IN TRINIDAD'S FOREIGN RESERVE POSITION AND THE FACT THAT MOST OF ITS TRADE IS DENOMINATED IN DOLLARS, SUCH A MOVE WOULD SEEM TO MAKE GOOD ECONOMIC SENSE. SINCE MOST OF TRINIDAD'S FOREIGN EXCHANGE EARNINGS COME FROM OIL, HOWEVER, THE GOTT MAY ALSO BE INFLUENCED BY WHATEVER DECISION OPEC MEMBERS MAKE REGARDING PRICING OIL IN DOLLARS, SDR'S, OR AN INDEXING SYSTEM. ENTIRE ISSUE IS QUITE UNSETTLED, SINCE THERE ALSO HAVE BEEN PERIODIC RUMORS THAT THE T&T DOLLAR MIGHT BE REVALUED, IN ORDER TO REDUCE THE COST OF LIVING THROUGH LOWER IMPORT PRICES AND TO REDUCE THE INFLATIONARY IMPACT OF TRINIDAD'S OIL EARNINGS. (SUCH A REVALUATION WOULD ALSO HAVE OBVIOUS SHORT-TERM POLITICAL ADVANTAGES, ALTHOUGH THE ECONOMIC EFFECTS WOULD PROBABLY WORK THEMSELVES OUT IN 18 TO 24 MONTHS.) FOR THE MOMENT, HOWEVER, AS ONE LOCAL NEWSPAPER POINTED OUT, ANY DECISION ON THE T&T DOLLAR IS UNLIKELY TO BE MADE IN THE ABSENCE OF PRIME MINISTER WILLIAMS, NOW EXPECTED TO RETURN TO TRINIDAD ABOUT JULY 18.

RICH

UNCLASSIFIED

UNCLASSIFIED

PAGE 03 PORT O 01718 110451Z

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: DOLLAR, CURRENCY STABILITY, DEVALUATIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 10 JUL 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975PORTO01718
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750239-0594
From: PORT OF SPAIN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750769/aaaacjtt.tel
Line Count: 107
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 75 BRIDGETOWN 884, 75 GEORGETOWN 858
Review Action: RELEASED, APPROVED
Review Authority: SmithRJ
Review Comment: n/a
Review Content Flags:
Review Date: 11 FEB 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <11 FEB 2003 by ThomasVJ>; APPROVED <18 MAR 2004 by SmithRJ>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: BUSINESSMEN PRESSURE GOTT TO TIE T&T DOLLAR TO U.S. DOLLAR
TAGS: EFIN, TD
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006